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## World Vision Canada's Emergency Relief Logistics — A Faster Way Across the Global Divide

World Vision Canada's Yolanda Mol Amelink, Gifts-in-Kind Co-ordinator; Dave Toycen, President; Lisa Moody, Senior Co-ordinator, Gifts-in-Kind

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### A Case Study In Emergency Relief Logistics (ERL)

Little has been written about Emergency Relief Logistics. But this article is the first of a series LQ aims to publish by professionals in the field. In this issue, their case study shows how World Vision Canada's emergency-logistics practices save lives and create long-term solutions for those whose lives were endangered by the January 13 earthquake in El Salvador.

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### A Faster Way Across the Global Divide

Emergency relief logistics involves many of the same components and practices used in private-sector logistics, from procurement and forecasting to transportation. Here's a snapshot of these commonalities, such as the heightened value placed on measuring performance, information sharing and partnerships — and how they create unparalleled results and make some of the most importance differences.

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### The Value of Information within Logistics Alliance

Without measuring logistics performance, companies may suffer from lacklustre performance and an inability to take corrective actions. This case study examines how measurement systems and the information they provide can have a dramatic impact on a company's entire suite of operations from inventory management to finance.

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### An Interview with Grocery Gateway

Even though the E-bubble has burst and many companies have failed as a result, Grocery Gateway shows online grocers should take stock as its business plan charts a means to mitigate many of the fatal pitfalls experienced by so many.

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Cover Photography by Ferdinand Mels

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## Council of Logistics Management, Toronto Roundtable's Calendar for 2001 and 2002

Here's a way to connect with some of the finest in the field and find out where the competition is going.

**October 23, 2001. The Last Mile: How Grocery Gateway Brings E-Commerce into Your Home.** "Lessons From the Trenches," 5:30 p.m. to 8:30 p.m., Toronto Airport Marriott Hotel, 901 Dixon Road.

A year ago, *Claude Germain* presented the Grocery Gateway success story to CLM delegates. But in 2001 the E-business bubble has broken and many have failed. Yet Grocery Gateway continues to develop, and has just moved into a new, bigger facility in North Toronto. How have they beaten the odds, and how are they bracing for the challenges ahead?

**November, 2001. The Acklands Granger Story: Raising the Profile of Logisticians.** Today no company can beat the competition unless it has the finest in human capital and promotes those people. Here's a look at recruitment, retaining and mentorship practices — the ways & means to enhance your logistics career.



In this roundtable *AGI's President Doug Harrison* provides a first-hand overview of the value of people and the pursuit of excellence involved in the selection and development of people

in business. Doug will also be discussing how his new team of logistics professionals at Acklands Grainger has helped to recast the way the company does business, and its role in the company's transformation. Additional keynote speakers at this CLM roundtable include *Stuart Penman, Vice President of Logistics; Brian Jackson, Director Logistics Operations; Lorenzo Avolio, Distribution Center Manager.*

**January 2002. Trends in Transportation.** As Track Chairman for Transportation at the Annual Conference of the CLM in Kansas City, (September 30 to October 3) *Dan Goodwill* is overseeing that track's eight



sessions including one on Canadian transportation that includes executives from the trucking, rail and customs industries. At the Toronto Roundtable Dan will provide delegates with a wealth of information on innovative applications and chair this exciting and dynamic Roundtable comprised of senior-level transportation experts.

**March 2002. Logistics and E-business.** *Carl Young, President and Chief Operating Officer of Calgary-based Tronicus*, a wholly-owned subsidiary of Canadian Pacific Railway Company, is chairing an exciting track about E-business, a field in logistics changing at Internet-speed. Tronicus works with its customers to provide supply chain solutions across their inventory, transportation, facility, information and technology requirements. Services range from logistics re-engineering to supply chain management outsourcing. Partnered with preferred technology and service providers, Tronicus delivers integrated solutions that are distinguished by end-to-end information visibility and stringent execution standards.



### June 2002. Air Canada's New World Class Handling Facility, Pearson International Airport, Toronto.

A CLM-Air Canada tour of this facility, which opens February 2002, features the latest in automated storages/retrieval systems, with greater square foot capacity and many other benefits for Air Canada's customers.

For more information contact Fred Moody, Vice President / Program Chairperson, Council of Logistics Management, Toronto Roundtable, [fmoody@LQ.ca](mailto:fmoody@LQ.ca) or call 416-461-8355.

*Note: Finalized dates and information will be made available in the near future.*

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Victor Deyglio

# President's Viewpoint

## Millennium — Year One

On April 1, 1998, the Logistics Institute signed a contribution agreement with Human Resources Development Canada to develop 14 technology-mediated distance learning modules. On March 31, 2001, the **Millennium Project** officially ended.

In three years, the Institute developed 41 training products, of which 38 are technology mediated, in whole or in part. It also initiated 38 legal registrations, eight trademarks, nine trade names, nine domain names, and 12 URLs as part of The Logistics Gateway.

But statistics tell only part of the story. In reality, between 1998 and 2001, the Logistics Institute re-invented logistics professionalism in Canada and worldwide.

### DELIVERABLES

With significant input from the Logistics community, the Institute

1. Re-invented **Logistics Professionalism**, creating new Certification Policies and Procedures and Competency Assessment to earn the PLog. Procedures include a Professional Review Board, and Competency Assessment includes the Qualifying Module.
2. Built **The Logistics Gateway—A Virtual Environment**.

3. Developed two **New Certification Programs** aligned with the "Career Path Model".

**Revised Executive Certification Program**, an in-residence program of four nights and five days, with a strategic focus. Candidates must pre-qualify to enter and deliver a team presentation to be certified.

4. Developed three **Additional New Programs** as part of its "train-the-trainer" mandate, and "professional maintenance" requirements:

**Facilitation Skills Program**: a "train-the-trainer" program with four components.

**Professional Business Program**: a professional maintenance program delivered in partnership with different suppliers. Topics include: Leadership, Systems Architecture, Business and Finance, Project Management, Interpersonal and Communication Skills.

**Tactical Logistics on Line**: a professional maintenance program consisting of 15 Web modules. Topics include: Controlling Budgets; Health, Safety & Environment; Customer Service; Product Damage; Personnel Problems; Good Logistics Practices (GLP); Selecting the Right Carrier; Assembling Orders; Operating Procedures, Scheduling Carriers;

Scheduling Resources; Customer Complaints; Controlling Inventory; Forklift Safety; Simplex Creative Problem Solving Model.

5. Re-aligned **Organization Structures** with new Strategic Plans to 2006 and Communications and Marketing Strategies. It re-organized the Board, re-structured operations, hired new staff, and instituted new electronic services.

**MOMENTUM**: Innovation has a life of its own; a project is disconnected from everyday reality. Support for project milestones is not synonymous with sustained success after the project. Once the novelty wears off, can project deliverables sustain market momentum?

It is too early in the delivery process of the **Millennium Project** to provide a definite answer to this question. However, there are some indicators that can provide insight.

In its preliminary evaluation, the Institute focused on three kinds of statistical indicators. The objectives are to gauge acceptance of its new incarnation as

(Continued on page 33)

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Rob Hamilton

## Opening the Supply Chain Toolbox

Supply chain management, logistics infrastructure, material flow strategy are all industry jargon describing the same process, the movement of commodities from the point of manufacture to the next point of use in the most efficient manner possible while satisfying the customer's requirements. At DaimlerChrysler we have adopted a Total Systems Cost approach, also known as total cost of ownership. Within this model we take into account the location of the supplier, the supplier's expertise and technical capabilities, transportation costs, containerization requirements and point of use delivery requirements. The purpose of this exercise is to ensure the supply chain is cost effective. Once this road map, or part plan, has been determined it is dissected and the various areas of responsibility begin to hone their particular piece of the chain. When launching a new product, this process becomes very complex when you consider part quantity and complexity, the size of the supply base and the volume requirements.

Once a program is launched the task of continually improving the efficiency of the chain begins. To be successful supply chain managers it is necessary to constantly be looking for new ways of doing business. Sometimes these "new" ways are old ideas updated or technologically improved in a manner that they become increasingly cost effective. Case in point is the DCX/Expressway initiative I wrote about last issue (LQ™, Volume 7, Issue 1). With Expressway, CPR has reinvented piggyback intermodal, addressing the deficiencies which prompted the auto industry to shy away from it during the transition to JIT delivery systems. Anyone that utilized piggyback intermodal in the late '70s knows that it was not the most time sensitive or reliable system available and even its low cost could not overcome the shortcomings in a JIT environment. The Expressway system successfully overcomes these issues and in conjunction with our DCX team we were

able to successfully integrate it into Brampton Assembly's logistics infrastructure.

The JIT programs, which have been in effect within the auto industry over the last 20 years, have successfully focused on making truck transportation more efficient as well as catering to the internal customer's requirements. Lean manufacturing philosophies have created new delivery requirements and driven cost into the supply chain. The challenge now is to find new ways to offset these costs. When looking into the toolbox developed over the years, we find things that have been set aside for specific purposes. Airfreight, for example, historically has been utilized for expedited moves on an as required basis. The Brampton Assembly team, while investigating routings out of the northeastern United States, discovered that certain commodities were better suited to airfreight than LTL truck when the entire delivery system was considered. This was due to the quantity, size and weight of the material as well as the lack of returnable containers in this loop. We conducted a trial of an airfreight milk run and found that it was faster and cheaper than conventional LTL truck.

As we move forward into a new round of cost-cutting activities within the auto industry, those with vision will continue to break new ground with new applications of various types of transportation systems. There are a variety of strategies that could be developed to continue to cut costs and improve efficiencies. An example could be the application of conventional boxcar, transporting material for multiple plant locations, routed into a warehouse, deconned, and the material dispersed to the various using locations using the most efficient available mode. In the case of Brampton that may be the Expressway intermodal service. In this case the conventional rail would be confined to suppliers, with a rail siding, that are located in the southern and eastern United States. The

railcars would be routed to the Detroit or Chicago area where the material would be unloaded to a warehouse then transferred to trailers and loaded onto the Expressway train for delivery to Brampton Assembly on a JIT schedule. This would be a two-tiered system with a warehouse in the middle to compensate for the railcar quantities as well as the inconsistencies of conventional rail. A study of this scenario is necessary to assess the impact on the total system cost. Does the reduced cost of the rail offset the warehouse cost? When the cost of additional inventory is taken into account, is the total supply chain still cost effective? What are the risks to supply of marrying these various types of transportation and what is the cost of coordinating such complex moves? Is the IT infrastructure in place to manage these types of arrangements?

Speaking of IT infrastructure, DCX has a very mature set of systems to manage material flow into the assembly plants. A new menu-driven tracking system called Shipment Tracking and Reporting System (STARS) is now in place to supplement these systems. I was involved in the development of this system a few years ago and we attempted to provide the user with dynamic tracking capability while interfacing with all the existing systems. The system allows for dynamic inputs from truck drivers or their dispatch, via satellite transmission internet access or hardwire, providing instantaneous updates of ETAs as well as early notification of problems. The ability to identify and react to issues early has enhanced our ability to avoid and/or reduce excess transportation, minimize part shortages at the manufacturing locations and monitor our carrier delivery performance. This was launched and patented last year and is now being enhanced and improved. This is another example of developing the infrastructure that allows us

*(Continued on page 29)*



# LOGISTICS PERFORMANCE MEASUREMENT AND THE 3PL VALUE PROPOSITION

## The case for logistics performance measurement

The five most recent studies published by the Council of Logistics Management on the subject of performance measurement in logistics had three significant findings in common (Kearney 1984; Bowersox et al 1989; Byrne and Markham 1991; Global Logistics Research Team at Michigan State University 1995; Keebler et. al. 1999):

- (1) Most firms do not comprehensively measure logistics performance,
- (2) Even the best performing firms fail to realize their productivity and service potential available from logistics performance measurement, and
- (3) Logistics competency will increasingly be viewed as a competitive differentiator and a key strategic resource for the firm.

There are three major reasons why firms measure their logistics performance. They are to (1) reduce their operating costs, (2) drive their revenue growth, and (3) enhance their shareholder value. Measuring operating costs helps to identify whether and where to make operational changes to control expenses and to discover areas for improved asset management. To attract and retain valuable customers, the price/value of products offered can be enhanced through cost reductions and service improvements in logistics activities. The returns on stockholder investments and the market value of the firm are impacted by the performance of firm logistics. These seem to be obvious reasons why companies should want to be competent in performance measurement.

## What logistics measures are actually being captured?

In a recent study, logistics executives from 355 firms identified logistics measures they captured from a list of thirty-seven choices (Keebler et al 1999). These were classified as either effectiveness measures or efficiency measures. The percentage of firms capturing each of these measures of logistics performance was determined (see Table 1).

A much higher level of logistics measurement was expected, especially for some of the "bread and butter" measures in logistics such as on-time delivery, fill rates, and freight costs. Twenty-one percent of firms apparently don't capture a measure of on-time delivery. Thirty-eight percent do not measure order cycle time. Forty-eight percent do not capture invoice accuracy.

It seems that a large percentage of firms are not capturing important measures of logistics performance. This sets up the

observation: If firms don't measure, they probably don't plan performance and, therefore, do not take corrective action when appropriate to do so. Consequently, firms lack control of important activities.

**Table 1 Measures Captured**

Effectiveness Measures	% Capture	Efficiency Measures	% Capture
<b>Involve Trading Partner</b>		<b>Cost</b>	
Customer complaints	76.6	Outbound freight cost	87.3
On-time delivery	78.6	Inbound freight cost	68.9
Over/short/damaged	72.3	Inventory carrying cost	60.4
Returns and allowances	69.1	3rd party storage cost	58.6
Order cycle time	62.3	Logistics cost per unit vs budget	52.4
Overall customer satisfaction	60.8	Cost to serve	37.4
Days sales outstanding	58.7	<b>Average 60.8</b>	
Forecast accuracy	54.4	<b>Productivity</b>	
Invoice accuracy	52.1	Finished goods inventory turns	80.2
Perfect order fulfillment	39.5	Orders processed/labor unit	43.3
Inquiry response time	29.6	Product units processed per warehouse labor unit	47.6
<b>Average 59.5</b>		Units processed per time unit	37.2
<b>Internal Focus</b>		Orders processed per time unit	36.1
Inventory count accuracy	85.8	Product units processed per transportation unit	21.8
Order fill	80.8	<b>Average 44.4</b>	
Out of stocks	70.5	<b>Utilization</b>	
Line item fill	68.5	Space utilization vs capacity	46.5
Back orders	64.4	Equipment downtime	46.0
Inventory obsolescence	62.7	Equipment utilization vs capacity	40.4
Incoming material quality	61.6	Labor utilization vs capacity	35.8
Processing accuracy	45.0	<b>Average 42.2</b>	
Case fill	39.1		
Cash/cash cycle time	32.2		
<b>Average 61.1</b>			

## How are these logistics measures determined?

Even more remarkable is the lack of definition of the measures claimed to be the four most important to their customers.

Measure	% Jointly Defined	% Customer Defined	% Neither
On-time Delivery	31	29	40
Order Fill	25	33	42
Invoice Accuracy	28	30	42
Order Cycle Time	25	25	50

Suppliers cannot satisfy a customer's expectation if there is no agreement with the customer's definition of desirable performance. The study determined that forty percent or more of measures important to customers are not being defined. Without recognized customers and owners of measures and agreement on the operational definition of the measure, the evaluation and improvement of logistics performance is problematic.

### To what degree are the logistics measures acted upon?

The latest CLM study identified the three key logistics processes in the supply chain to be (1) Fulfillment, (2) Sourcing/Procurement, and (3) Planning/Forecasting/Scheduling (Keebler et al 1999). These processes exist within firms and extend between them and their supply chain trading partners. The level of measurement of these processes varied both for within the firm and between firms, but in all cases intercompany measures are less often captured (see Table 2).

**Table 2 Measurement of Key Processes**

Supply Chain Process	Capture Measure	Take Action	Capture Measure	Take Action
	Within the Company		Between Companies	
Fulfillment	71%	37%	59%	22%
Sourcing/Procurement	59%	32%	42%	21%
Planning/Forecasting/Scheduling	60%	36%	42%	18%

Somewhere between 18% and 37% of the time practitioners take action on measures captured to improve performance for the three key logistics processes in the supply chain. Most of the time no action is taken. Just because a measure is captured, control is not assured. People can have information but fail to act on it. Perhaps this outcome is due to the lack of predetermined performance objectives or inadequacies of the measures themselves.

### The Importance of a Measure Does Not Guarantee Its Capture

Even though a measure is important, it is often not captured (see Table 3).

**Table 3 Importance and Capture of Measures**

Measurement	Partner Importance	Partner Uses It?	Company Captures It?	Defined by Partner or Jointly Defined
	Rank	(Yes %)	(No %)	(Yes %)
On Time Delivery	1	86	21	60
Order Fill	2	75	19	58
Line Item Fill	3	55	31	58
Back Order	4	62	36	55
Order Cycle Time	5	63	38	50
Invoice Accuracy	6	69	48	58
Case Fill	7	32	61	53
Over/Short/Damage	8	61	28	57
Freight Cost	9	44	13	52
Returns and Allowances	10	44	31	50
Inquiry Response Time	11	36	60	52
Forecasting Accuracy	12	16	46	43

The ranking of perceived importance for Invoice Accuracy illustrates such a conclusion. Invoice Accuracy was reported to be third in importance for the Company, sixth in importance for the Customer, and eighth in importance for the Logistics function. Yet, even then, forty-eight percent of the 355 respondents said this measure was not captured.

### The 3PL value proposition

Third party logistics providers enable firms to achieve reduced operating costs and increased revenues in new and existing markets. 3PLs provide firms an opportunity to enhance their market value by reducing ownership of assets, which translates to a higher return on remaining assets and greater return on stockholder investment. 3PLs also bring to the relationship their specialized expertise in managing logistics with contemporary technology and systems. The COO's decision to outsource company logistics operations to the 3PL is often justified solely on the favorable difference between the more efficient 3PL's price for the services and the firm's higher costs of existing operations. The chief marketing officer views the enhanced services and distribution reach of 3PLs in existing and new markets as translating into increased sales and better long-term relationships with customers. CFOs are delighted to see assets — property, plant, equipment, and even inventory — disappear from the firm's balance sheet, freeing up cash for more productive uses, instantaneously and "permanently" improving the company's returns on assets. CIOs are often very pleased to have access to the 3PLs systems and technology resources, avoiding the cost and trauma of upgrading their own. Reliance on the 3PL alliance frees up company employees to focus on their core competencies, doing more of what they are good at and less of what can be done better by the 3PL. Chief logistics officers begin to realize that ownership of resources is not necessary to achieve control over the results.

### Expanding the 3PL Value Proposition

Third party providers with sophisticated data base management systems and competency in activity-based costing can secure long-term alliances with their customers and their trading partners. Firms value timely, accurate, comprehensive, and actionable data about the activities that constitute their sourcing and fulfillment processes, whether it is used for planning, scheduling, measurement, costing, or pricing purposes. Successful third-party providers supply this knowledge. Under gainsharing arrangements, the firm and its 3PL partner can implement improvements that result in lower costs and share the benefits on an equitable basis. There remains a great opportunity for this alliance to involve the firm's trading partners in the gainsharing program. Changes by suppliers and customers in how and where the work gets done can produce additional logistics savings that can be shared by all.

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Mark Morrison

# Outsourcing Logistics

## Redefining 4PLs in the Global Marketplace

Five years ago, the term “4PL” was introduced into the supply chain to convey that deep informational technology skills and deeper analytical skills were required to achieve supply chain leadership.

In retrospect, the term 4PL has proven a harbinger as to how much the logistics industry has kept pace with the evolution of the Internet. Since that time, Internet-based services and applications such as ASPs, eCIs, SCEM and ISMs have been spawned, all of which seek to exploit supply chain cost efficiencies through real-time Web-based connections.

But the true evolution of the 4PL term is better defined in context of the global marketplace where outsourced logistics creates more of a partnership critical to success than a supplier/customer relationship. Companies in the global marketplace are finding that supply chain engineered logistics is not a commodity, and understand it is a vital means to boost their cost savings, enhancing their cash flow and improving servicing levels for getting their products to market.

Indeed, the need for global supply chain management has grown rapidly over the past few years. Already one-third of the world’s traffic flow is global and best guess estimates of total logistics costs run in excess of \$2 trillion annually. Of that, a mere 3.5 percent is outsourced.

Those companies charged with providing outsourced logistics will not only have to possess a global footprint, but also the right mix of internet-based supply chain applications that can fully integrate all intercontinental trading partners. By definition, a 4PL or lead-logistics provider in a super-large global contract will be responsible for multiple facilities in many countries and, in some cases, overseeing other 3PL providers. This will require the depth and versatility to integrate multiple disparate platforms. It will also require

having a presence in those countries as well as an understanding of that country’s business protocol.

Fortunately, Internet-based supply chain applications now provide a panacea of services, the precursors of which were once the domain of a few ERPs and early exchanges. According to a Jupiter research report, many of the applications introduced by the early exchanges have been surpassed by off-the-shelf applications. Companies like

**“One-third of the world’s traffic flow is global and best-guess estimates of total logistics costs run in excess of \$2 trillion annually. Of that, a mere 3.5 percent is outsourced.”**

i2, Vastera, G-Log Descartes, Manhattan Associates, and EXE technologies now provide second generation supply chain applications whose offerings include warehouse management systems, international trade logistics and connectivity/transportation management systems, all of which increase visibility into the supply chain, thus enhancing collaboration. But the technology is not limited to this suite of software providers. Some 3PLs are getting into the game, bringing to bear their own expertise and

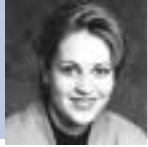
vertical industry know-how on applications development. The result is the power to offer deeper analytics that yield comprehensive solutions.

The combination of technology and know-how (the logistics industry’s version of high-tech/high touch) has given birth to supply chain event management that goes beyond simple warehousing and distribution. These supply chain event management tools, important to the delivery of global logistics, enhance the value of warehouse and transportation systems by providing inventory and order status visibility at all levels — including proof of delivery, as well as providing the capacity to respond to exceptions and unplanned events. All of which contribute to reduced costs and lower inventory levels.

Inclusive in these services are critical functions that allow for integration with procurement, production, distribution and marketing, sales and finance. Along with providing international trade services, freight forwarding and customs services, this new platform of will be the standard for delivery of global supply chain services.

And as logistics services continue consolidating to provide global scale service as evidenced by the Ocean Group/Exel, TNT Post Group/CTI Logistix and APL/GATX mergers, the pressure to emerge as a true 4PL will increase. Only those companies with an authentic global footprint and the technology to bind a growing number of disparate trading partners together will emerge with such an international nomenclature and the global supply chain solutions now demanded by the global economy.

*Mark Morrison is Senior VP, Business Development, TNT Logistics North America.*



Lisa MacGillivray

# Transportation Policy

## Bailing the Ocean with a Teacup

Here is a declaration defining what we require, namely, a “safe, economic, efficient and adequate network of viable and effective transportation services that makes the best use of all available modes of transportation at the lowest total cost is essential to serve the needs of shippers and travellers...and to maintain the economic well-being and growth of Canada.”

This isn't my declaration. It is taken from Section 5 of the Canada Transportation Act, 1996 (CTA) and is grandly entitled: National Transportation Policy. And as grand declarations go, it is suitably general in nature to guide the “spirit” of any other laws or regulations parliament in its wisdom should impose.

Briefly, it says transportation regulation, when required to foster safety and competition, should be devised so that it serves the users, that competition and market forces are the preferred agents for service delivery, that regulation will not unfairly limit competition between carriers, etc.

### Would that it were always so.

Transport Minister David Colenette has recently embarked on a “Vision Project.” The impetus of this most recent initiative appears to be two-fold: Canada's infrastructure is on life-support, and the Liberal government is focusing on its Kyoto commitments to reduce greenhouse gas emissions, to which transportation is the largest single contributor.

Regardless of the motivations presently striking the Minister, a concerted effort to take inventory and initiate a prioritization of infrastructure is long overdue. We've been very busy wringing our hands over the cutbacks in health and education, but have forgotten that these systems are the results of prosperity. Like third generation millionaires, we enjoy the luxuries but can't be bothered to mind the shop.

One has only to look at what has been happening south of the border to realize just

how dismissive Canada has been when it comes to basic economic hardware. The Americans are in the midst of a multi-billion dollar infrastructure improvement scheme, while in Canada the last budget earmarked \$600-million for highways. We're bailing the ocean with a teacup.

### So I welcome this drive to produce a plan for the future.

The federal government needs to not only articulate a vision for the kind of transportation system Canada will require in the future, it needs to figure out how to get there. But before government officials get too wrapped up in modal diversion, multi-phased infrastructure projects and regulatory “inducements” to “encourage” certain transportation behaviours, there is a whole list of remedial maintenance and refurbishment on the regulatory foundations to which attention is required.

The statutory review of the CTA will be completed by the time you read this and, we are told, will form the foundation for further work on this 10-year strategic plan. The intelligence gathered at last June's Millennium Conference held in Toronto has also been cited as a key component to this initiative. This spring, the Minister undertook a series of roundtables to gain further insights from carriers and a few manufacturers.

The concern lies in that the users and service providers of the transportation system will be primary agents for change. If the government wants to truly build a transportation system for the 21st Century, then it has its own housekeeping to mind.

The government speaks expansively of intermodality. Yet its transportation-related policies are modally-based. Taxation policy, investment policy, legislative Acts all offer ample opportunity to compromise the goals of Canada's transportation policy. In the arcane world of taxation policy, the different levels of contribution between the

modes lend to an unproductive “us vs. them” dynamic that shows little sign of relenting.

This tendency also sets up inherent contradictions that are difficult to fathom. On one hand shippers must climb over legislative hurdles designed to deter them from forcing the issue of rail service levels. The perennial defence is that trucking is a viable alternative. In the next breath, they'll be told that there are “too many trucks on the road” and queried why they have abandoned the railways. It's been easy in the past, because highways were the provinces' headache. But with the emissions conundrum, this bird has come home roost.

The government will upon occasion heave a great sigh at Canada's lagging productivity and competitiveness. Perhaps the greatest the Liberals could do is to take to heart the National Transportation Policy and start doing away with the inefficiencies created by continuing regulations based on a 40+ year model that reflects little of the advances since. Into this pot we can throw the current Pilotage regime, exemptions to competition law for container lines and myriad others. To add insult to injury, the cost recovery initiatives of the past 10 years have now imposed on users direct invoicing for some of these dinosaurs.

Perhaps the most effective way to prevent inevitable deflation of the National Transportation Policy is to ensure that no subsequent legislation may compromise it. This will prevent the contradictions that appear in the Acts of other departments.

So the final message is: Canada has a good transportation policy. It is outlined in the current Act. What is required is the vision to remove the shackles that bind it to old methodologies before we determine where the first shovel will be plied.

*Lisa MacGillivray is President of the Canadian Industrial Transportation Association, a national organisation of shippers.*



## A CASE STUDY IN EMERGENCY RELIEF LOGISTICS



Early on the morning of Saturday, January 13, Delmy Zermeño left her modest home in the small village, San Julian, El Salvador, to wash clothes for her neighbours. She does other people's washing to earn money to support her children. While she was washing, a strong earthquake measuring 7.9 on the Richter scale suddenly struck, making her quit what she was doing and run to find her children who were home alone. She was also worried about her mother, Herminia, 50 years old, who cannot walk fast because of arthritis.

As both a mother and daughter, Delmy was deeply concerned about the safety of her family. Her fears were not unfounded – both her youngest daughter and her mother were in danger.

Arriving home, Delmy found her house completely destroyed and her children crying in the street. She later discovered that when the earthquake occurred, her oldest children, ten and seven years, had left running in search of a place to be safe, completely forgetting about their youngest sister, Karla, just 18 months old. Karla was crying and yelling, unable to move and laying perilously close to a wall on the verge of collapse. The children's uncle came running when he heard Karla's cries, and rescued her just before the whole house collapsed. "My daughter was saved without a scratch. Nobody can deny that this was a miracle of God," said Delmy. Little Karla still has nightmares and despite her young age and limited vocabulary she has learned the meaning of the words "earthquake" and "tremor." Whenever she hears them and sees the panic on her family's face, she starts to cry and embraces her mother.

Delmy's mother Herminia, was also doing laundry, at a neighbour's home across the road, when the earthquake struck. "When my mother was finished washing, she stayed a few more minutes to help her

neighbour Maria make corn tortillas. If she had returned home, she would have gone to bed to rest, and no doubt would have died, because she cannot move fast," says Delmy. Although a piece of a wooden rafter fell on Herminia's arm and knocked her to the ground, she was able to stand up and find a safe place to wait.

Delmy lost not only her house, but also her belongings (e.g., kitchen utensils, dishes and beds). Delmy is concerned about the future, which seems uncertain to her, because the land continues to shake and work is scarce.

Delmy says that without the assistance of World Vision she would not have been able to cover her family's basic needs, which have increased due to the earthquake. "I want the best for my children, but if not for the assistance, I would not know how to face the future. I am very grateful for the assistance received until now, because we are now poorer than before."

Delmy and her family were fortunate that none of them were seriously injured or killed in the earthquake that struck El Salvador. But her story ends the same as so many affected by the quakes, they are poorer than before and need help.

The January 13 and February 13 earthquakes devastated more than 130 towns and caused damage estimated at over \$1 billion — 141,062 homes were destroyed, 173,863 homes and 144 public buildings were damaged. The quake took its toll on the El Salvadorian people claiming 1,127 lives and injuring 7,660. Overall, more than half-a-million people were victims of these two disasters.

World Vision's mandate is to respond in some way to any disaster around the world. Our relief response typically occurs in three phases: seven-day, 30-day, and 90-day. During the first phase World Vision Canada funds, among other goods, fly-away kits (FLAKs) which can sustain up to 2,000 people for seven days. FLAKs are divided into 12 modules, with the first containing life-saving elements such as blankets, drinking containers, soap, cooking sets, high nutrition biscuits and plastic tarps. Other modules contain personal hygiene items, emergency food, search and rescue equipment, medical and power equipment, shelter, and communications equipment.

The second phase involves family survival kits, which can sustain up to 5,000 people for 30 days. The kits are divided into four components. The first kit contains blankets; the second kit supplies water purification tablets, cookware, candles and soap; the third includes emergency food; and the fourth provides emergency shelter.

The third phase involves long-term rehabilitation, which initially focuses on agricultural assistance to ensure an adequate supply of food. World Vision distributes AgPaks containing seeds and tools, and

provides agricultural training to help with the next planting season. Other elements of long-term development include providing clean water, primary health care, food security, literacy and numeracy, micro-enterprise development, housing reconstruction, and reconciliation and peace building in conflict-prone areas.

The El Salvador disaster was no exception. World Vision responded and will continue to respond with every one of the three phases. Within hours of the quake, medical, health, food, hygiene and shelter assistance was being provided. Family food kits consisting of rice, beans, sugar, salt, corn, milk, oil and water were being distributed along with cooking utensils. Within the first 30 days, medical clinics were set up and stocked with pharmaceuticals. Temporary shelters were being constructed and trauma counselling was being conducted.

We are now entering the rehabilitation stage with plans to provide reconstruction assistance in the way of fixing homes that were damaged and are repairable, and construct new homes for families whose homes were destroyed. World Vision is also providing psychological assistance to 2,000 children living in the Area Development Projects most affected by the earthquake. We are also providing continued support to medical clinics throughout the earthquake zone in the form of medical staff, pharmaceuticals and supplies.

Canada responded to this emergency with both logistical and financial support. Financially, we raised over \$1.1 million in private cash donations and shipped over \$2.3 million worth of donated goods.

Logistically, World Vision's El Salvador response with donated product was our best yet. Within the first 24 hours the Gifts-In-Kind team in Canada was on the phone seeking assessments of all airports, ocean ports and inland roads in El Salvador and surrounding countries to determine which means of transportation would be feasible given the earthquake-damaged infrastructure.

At first the airports were not open and they remained closed for at least 48 hours. During this time, we were able to discuss with the Director of Health for World Vision El Salvador, Dr. Jose Angel, what emergency pharmaceuticals and medical supplies were needed. We then conferred with our donor companies, MAP International in Brunswick, Georgia, and Health Partners International in Montreal, Quebec, what products were available. The response was profound. In total, pharmaceutical companies donated more than \$2.3 million dollars worth of essential items.

Once the airport was reopened, arrangements were made for a flight to leave at the earliest opportunity. Schenker Stinnes Logistics arranged for the first flight to leave Miami on Friday, January 19. Due to technical problems with the plane, the cargo flight did not arrive in San Salvador until Monday, January 23. However, rapid processing was made possible through special arrangements with National Defense in San Salvador that allowed the plane to land on the military strip and be unloaded immediately. Pre-approval with both customs and the Ministry of Health was given and the cargo was moved into the warehouses that evening. Total value of cargo on this flight was more than \$800,000. On January 31, a second flight left Miami carrying nearly \$1



million worth of pharmaceuticals for the victims in El Salvador.

Once the product was unloaded from the plane, it was brought back to the World Vision warehouse in San Salvador and a manual inventory and

disbursement began. Electricity was so unstable in the disaster areas that computers were not able to be set up to aid in this very long and detailed process. Staff worked through the night loading pick-up trucks for deliveries to World Vision health clinics in the morning. Immediately after the trucks were unloaded, the clinics began treating the injured people lining the streets. To ensure control over the inventory, World Vision doctors staffed the clinics where these products were delivered.

Just when the world thought the worst was over, a second earthquake measuring 6.6 on the Richter scale struck El Salvador



on February 13, causing further deaths and damages. Within days of this quake an ocean container carrying pharmaceuticals and nutritional bars set sail and arrived just in time as the inventory of pharmaceuticals in clinics was already getting dangerously low. This third shipment was used to replenish the various clinics where World Vision was working.

Manual processes for inventory, dispensing and tracking were used for this disaster. It became as simple as a patient receiving medicine for their injuries signing with a thumbprint if they could not write their own name. Relying on computers to run this system was unstable and in some instances unreliable. World Vision is exploring other technical means of tracking, but until then we must rely on the processes currently in place.

Partnership is the key to the success of our Gifts-In-Kind program. We need a strong partnership with our field offices acting as our hands, eyes and ears in the disaster area. Good, reliable partnerships with our logistic companies, either the Department of National Defense, the Canadian International Development Agency (CIDA) or freight forwarders are key to ensuring that the goods will arrive on time. Partnerships with our donor companies provide us with the critical products needed in the field. Finally, we need to continue to build a committed relationship with our Canadian private donors to help us fund these much-needed shipments.

Time is of the essence when responding to any emergency, no matter what role you play. We know that with every shipment we send into a disaster zone lives will be saved, lives will be rebuilt and hope for a better future will be given. Whenever possible we purchase the goods locally, but when that option is not available our field partners rely on donated product from North American companies to aid them in saving lives.

*Cecilia Cerón is Communications Manager, World Vision El Salvador, and Katia Maldonado is Communications Assistant, World Vision El Salvador.*



Fred Moody

## EMERGENCY RELIEF LOGISTICS — A FASTER WAY ACROSS THE GLOBAL DIVIDE



Given the demands shouldered by World Vision Canada's professionals when they respond within 24 hours to help those whose lives are imperiled by the convergence international or domestic disasters, from hurricanes to earthquakes, it seems working to lobby governments, corporations and other publics may seem the last thing that senior-level executives at World Vision Canada would want to do. But as its teams of professionals vie against time, distance and a morass of other hurdles that impinge on its logistics and many other processes, it may be one of its most crucial tasks.

"I would say our biggest challenge in Canada has remained pretty much the same," says Dave Toycen, World Vision Canada's president, reflecting on his tenure of more than 28 years. "The challenge, as shown by survey work we have done, is an estimated 80 percent of the Canadian public is still in a position where it questions whether the money and aide they give to the poor actually gets to them."

In tandem with the trend rising within conventional logistics organizations, there is also a consistently growing value placed on information that affords accountability about the distribution of goods for those in need, points out Mr. Toycen. After all, its many partners also have vested interests and important relationships with World Vision Canada, which helped it to respond to emergencies in 23 countries in 2000 — and assist millions of people while developing disaster mitigation plans to help them manage the future better.

The Canadian International Development Agency (CIDA), which has assigned up to an estimated \$25 million to World Vision for projects and humanitarian aide last year, and has rigorous evaluations in its call for its own evaluation of World Vision's emergency relief logistics



processes and other procedures, is just one example. Mr. Toycen refers to Canada's Department of National Defence (DND) as another important party. The United Nations' agencies, such as its World Food Program and its Office of Coordination of Humanitarian Affairs, with which World Vision Canada has recently worked with to provide aide in Western Chad and Northern Kenya, both require ongoing assessments about an organization's performance.

"The United Nations' agencies may provide the food but we provide the logistics," states Mr. Toycen, summarily.

Not surprisingly, emergency relief logistics involves many of the same components and practices found in private-sector logistics, from procurement and forecasting to transportation, customs clearance, warehousing, insurance and loss and damage levels. But with a significant difference as speed is usually more important than cost as lives are at stake.

Emergency relief logistics is also one of the most unheralded parts of the logistics sector, and little has been written about it.

Mr. Toycen and his colleagues emphasize information is one of the most vital elements in relief aid. At the very beginning of the process it means learning about the number of people affected, determining what supplies are required, the means to deliver them quickly and conducting a skillful reconnaissance of cultural issues. This information enables the organization to mirror what's required through its considerable breadth of worldwide expertise and resources.

Developing a strategy also often entails drawing a line that defines where emergency relief ends and development begins. World Vision Canada places considerable importance on forecasting, looking at everything from potential political currents and man-made strife to natural disasters. In northern Kenya, for example, it has responded to an ongoing crisis, a two-year drought that has had a severe impact. World Vision's food warehouse in that region, the size of a hockey arena, stores up to 90,000 50-kilogram sacks of grain, each one meticulously taken stock of. There's a lot of food to manage: Each month each of the local 205 food distribution sites give out an estimated 13.8 kilograms of corn, 2.4 kilograms of beans or peas, .75 kilograms of vegetable oil per person, feeding more than 331,000 people in the region.

At the onset of every emergency, World Vision Canada has established systems to contend with disasters, from famines to civil wars, that give it a preparedness to help in less developed regions where the resources for such plans may not exist. In the case of a drought, for example, the situation is continually monitored from



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# Steps in Relief Response – the World Vision Canada model

## Major Disasters Worldwide

World Vision International's Emergency Response and Disaster Mitigation department tracked 33 major disasters over a recent 24 month period, each of which affected a minimum of 10,000 people. At least 10 of the 33 affected more than 500,000 people, through death or displacement. World Vision responded in some way to all 29 disasters.

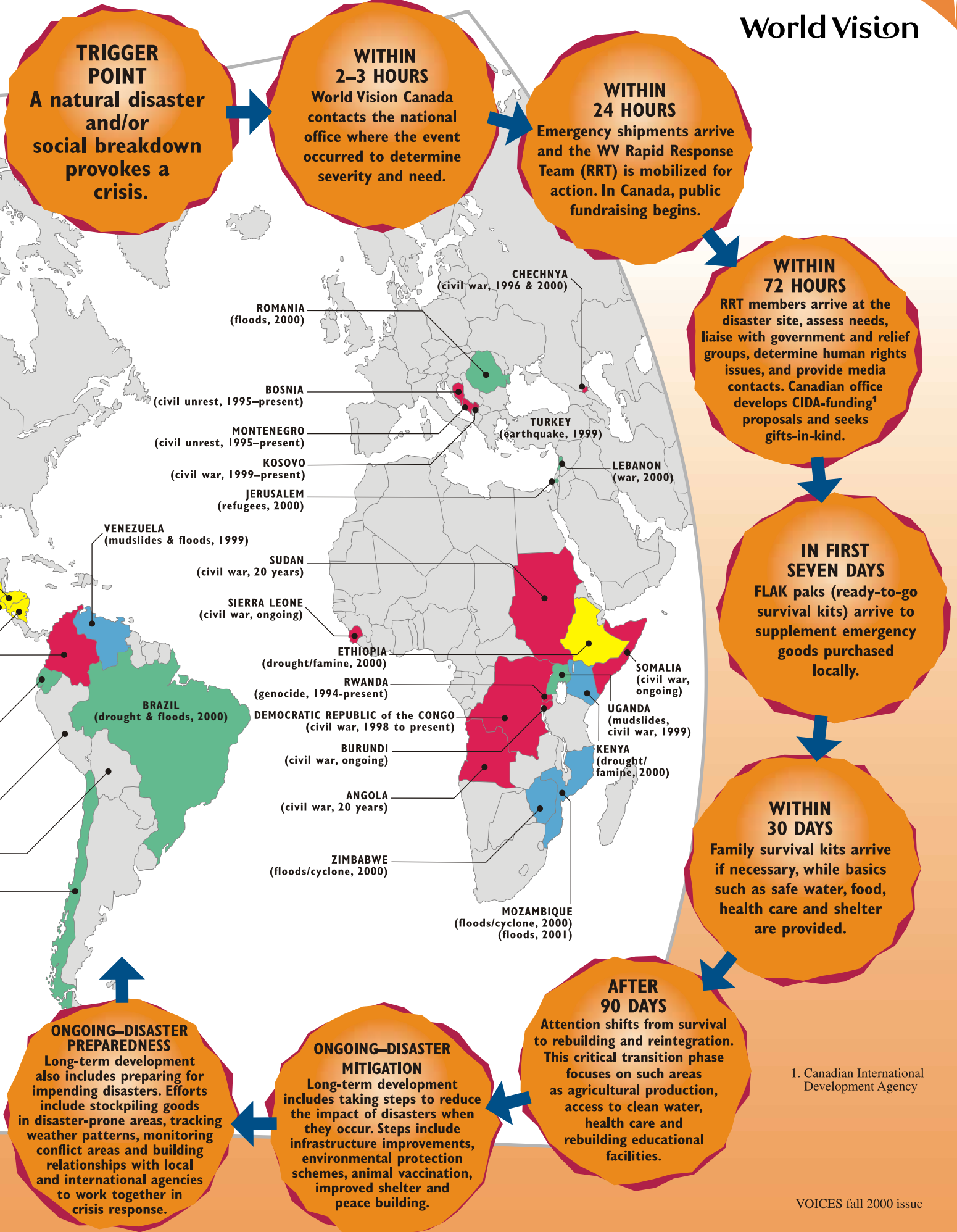
The following map charts where World Vision has responded to world disasters over the past 24 months.

Countries that are being monitored for potential disasters (primarily political instability) include: Ecuador, Brazil (environmental crisis), Zimbabwe, Rwanda, India, Bangladesh, Indonesia, Sri Lanka, China and Central Asia.



**Legend:**

- green: **Category I:** primarily a nationally-led response
- blue: **Category II:** regionally-led response
- yellow: **Category III:** internationally-led response (natural disasters)
- red: **Category III:** complex humanitarian emergencies, natural or human-made disasters accompanied by political instability, mass movements of people (refugees), a breakdown in law and order, and economic collapse.



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field and support offices, and at a certain juncture the organization responds in a major way with its resources. Civil wars call for ongoing aid. In every case, World Vision's Rapid Response Team (RRT), comprised of 20 people worldwide, monitors the world situation constantly. When an emergency comes to the fore, one of three levels of response are set into play by the RRT.

The highest response, called for by a "level three" category disaster, puts the RRT to work with the national office where the disaster is, and within 24 hours assistance begins. Within 48 hours, a more comprehensive assessment has been made by the senior-level people of the team and the distribution of emergency supplies is well underway.

An analysis of the assessment of the disaster enables the RRT to develop a comprehensive proposal to take to its various partners. "This is when our leadership looks at what is in the reserves in terms of funding and how, if it's necessary, to supplement this with what is required. The marketers try to raise a portion of it. It's when Lisa and Yolanda and I start to talk in great detail," explains Rupen Das, director of Humanitarian Assistance, who is responsible for heading World Vision Canada's response to emergencies.

Lisa Moody, Senior Co-ordinator, Gifts-in-Kind, whose most recent accomplishment has been to raise more than \$35 million in donations this last year, from clothing and medical supplies to pharmaceuticals, works with Yolanda Mol Amelink, Gifts-in-Kind Co-ordinator, who for the past nine months has worked with the Development Group as the co-ordinator for Latin America, Middle East and Eastern Europe. At the time of the first of a series of interviews for this article, Mrs. Moody and Mrs. Mol Amelink had just spent the weekend working to help victims of the El Salvador earthquake.

None of details can be overlooked — even packaging is crucial, particularly in these circumstances. Sometimes it must withstand extreme temperatures, and remain contained when it is packed or stacked and often be provided in volumes and weights that enable a single person to carry their allotment. Transportation also remains one of the most daunting tasks. With oceans ports and airports often closed or clogged with the sudden arrival of large numbers of shipments, alternative options must be implemented.

World Vision's policies and procedures in its logistics practices consistently exhibit innovation and excellence by any standard. For

example, despite the daunting circumstances in West Africa, not least of which are temperatures of 52 degrees Celsius, pharmaceuticals are delivered with flawless performance. "Everything is tracked," explains Mrs. Moody. "In remote areas the way we track the delivery of items may be as simple as getting a thumb-imprint of the person receiving aid. But we know where it is, day-by-day, family-by-family."

Mrs. Moody elaborates: "An estimated 99 percent of our shipments are consigned to a local World Vision office and that product will arrive, most times, 100 percent, with no shrinkage, to that consignee, and then it would be divided up to go to hospitals and programs that World Vision is working with. Or, it would be handed over to a government." On average only 20 to 30 percent of the annual delivery of pharmaceutical products would be delivered to local governments instead of local World Vision offices, ensuring more control and accountability.

"Tracking and tracing in cases where product is handed over to governments is difficult. But we have had no insurance claims in terms of product," explains Mrs. Moody.

Perhaps one of the organization's greatest strengths is its capacity to see the world through the eyes of its various publics, and those it's ultimately serves. Whereas legions of scholars have built measurement systems to gauge how "end-users" receive their product, none seem capable to lens their performance in the way that World Vision does.

Its approach has been set by its legacy. It was officially founded by Dr. Robert Pierce in 1950, in response to the plight of orphans in Asia. He had the view that Christian Americans had a responsibility to help those in need of assistance for their physical welfare. Dr. Pierce's view is now a "partnership" based in more than 100 countries, each office with its own board of directors and the autonomy to determine how funds and resources are allocated.

Today, World Vision builds on that legacy, but from a Canadian stance. "The only thing that World Vision owns, on an international level, would be its name," explains Mrs. Moody, emphasizing, however, that there is a strong international partnership among all World Vision offices. The Canadian office of World Vision was active within the first year of the organization's founding, but formally became an official support office in 1958.

No matter whether a crisis erupts on a weekend or holiday, World Vision's people are there to help, and often allude that their Christian outlook is part of their professional practice. When asked about his tenure at World Vision and the daunting circumstances that he often must help to manage, Mr. Das candidly responds: "I found in World Vision an organization where I could be a professional and a place to live out my faith."

A few days prior to the first of a series of interviews for this article with some of World Vision Canada's top people, El Salvador was hit by an earthquake (on January 13), registering 7.8 on the Richter scale, large enough to be felt throughout South America and the southern portion of Mexico. "Within a few hours of the earthquake that Saturday Mrs. Moody and Mrs. Mol Amelink were working on emergency relief processes, calling their contacts after garnering information. By Sunday, 6 p.m., they had found an air strip open in southern El Salvador. By Sunday evening they were also armed with a contingency plan should that port become unavailable. In this case, "we worked with Schenker Stinnes Logistics and they were able to get us full planes at very reduced



rates. They were the easiest way to get relief out to El Salvador," states Mrs. Moody, with appreciation.

Mr. Toycen, who has just celebrated his 28th year at World Vision this June, initially joined the organization while studying at Pasadena, California-based Fuller Theological Seminary as a summer student whose focus in school was communications studies, working as an assistance under the auspices of a professor who was then a film maker. Mr. Toycen is known to sometimes take provocative stances in the media while advocating the value of ethics in business as a sound way to conduct business, a position also advocated by the Canadian Professional Logistics Institute. He also speaks with considerable deference of his colleagues at World Vision: "In the end, this organization, as with any, is going to rise or fall based on the contributions of its people, more than on the contributions of its leaders."

Mr. Toycen, who ardently focuses on those in need, acknowledges that his background in communications has helped to "expand the public's awareness of us. On the one hand you want to have excellent programs in all your operations but if nobody knows what you are doing, you won't have the required support. You cannot separate the two practices."

Finding ways to prompt governments to mitigate worldwide disasters, ranging from assistance for earthquake victims to developing legislation, seems more than a little like the weather to most Canadians — inevitable and unfolding based on enigmatic devices beyond our control. But Mr. Toycen, who characterizes his role at the organization some 28 years ago as "primarily that of a do-gooder, with Christian faith and motivation," contrasts this with the expertise that he oversees today and remains seemingly undaunted and unequivocal in his view that educating and changing the opinion of those who make the rules can have an impact on every facet of his business, from meeting with foreign affairs officials, to helping to strike coalitions of organizations, to working with children who have been compelled to become as soldiers.

"Our biggest hurdle is always ourselves," reflects Mr. Toycen, adding: "We bring limitations by our attitude or lack of understanding. World Vision is, in fact, part of that — dreaming the dream and thinking that we could be an organization that has a major impact on the lives of people around the world and whenever we have that dream shine, change and development have taken place."

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*(the 3PL Value Proposition, continued from page 11)*

The selection and integration of a capable 3PL requires managerial skill in establishing and maintaining trusting, long-term relationships. It also requires a continued investment in the success of each party, based on a strategic and systemic perspective of the interdependencies and potential of the alliance.

### Conclusions

In today's competitive market place what distinguishes winners from losers is the ability to differentiate themselves through their service and product offerings. For many firms, the service differentiation is accomplished by how well the logistics process is managed. To achieve excellence in logistics, successful firms ensure that the key logistics processes are aligned with the firm's business strategy and measured against predetermined performance objectives. Additionally, the top firms are jointly defining the specifics of each measure with their trading partners (customers / suppliers / 3PLs) to create a common understating of expectations. While some firms are developing their measurement capability internally, a number are turning to 3PLs to support their needs. As focused service providers, 3PLs are ideally positioned to bring the systems, process design, and managerial expertise to aid in establishing and implementing a comprehensive logistics measurement effort. The 3PL is also often in the position to act as a catalyst for meaningful dialogue between trading partners to establish a level of service performance that truly adds value.

Regardless of the approach a firm takes in establishing logistics measurements, the real value comes when the information is acted upon to align the effectiveness and efficiency of the logistics process performance to a level that is valued by customers. How well is your organization meeting your customers' logistics expectations? What role can the 3PL have in your success? Now may be the time to start measuring your logistics performance.

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Jim Davidson

## THE VALUE OF INFORMATION WITHIN LOGISTICS ALLIANCE



The evolution of a global economy has expanded the base of competition for virtually all businesses. By the very nature of the word “competition” it is implied that someone out there is always keeping score. The tally on the scorecard may be a measure of more sales, increased profit or a growing customer base.

Regardless of the method of measurement — to win, you have to put up more points on the board. Aside from meeting and beating the competition, there is also a basic business demand to simply get better at what we do. Whether your company calls it Kaizen or Continuous Improvement, there are real, bottom-line dollars to be earned through performing more effectively.

In the field of logistics, there has always been an abundance of data. Shipping bills alone render a ton of information. Traditionally, freight audits have been a tool used to give shippers a comfort level that carriers were providing the services they were contracted to perform. Audits continue to be a valuable practice, however, with the development of new logistics technologies they are just one source among many to glean the information demanded to improve supply chain management. Gathering the data is indeed important; evaluating the information, setting benchmarks and measuring performance and progress is critical.

Prior to joining the Wheels organization, I became keenly aware of the formidable team iWheels Logistics had assembled, working with clients to develop systems and technologies to measure supply chain performance. The team was built around a group of people with a broad base of business, analytical and programming knowledge. Each member contributes a unique perspective. The common denominator among them is the data itself.

The first step in the iWheels Logistics process is to ensure the purity of the raw data. Seemingly small issues can have a major impact. As an example, historical documents are extremely vulnerable to input error. Simple spelling errors or listing an address as a “street” on one manifest and “avenue” on the next can skew the numbers during the evaluation process. Wheels Logistics has developed some simple, yet powerful tools to quickly cleanse raw data from virtually any and all sources.

iWheels Logistics has built a sterling reputation for the ability of its powerful, proprietary systems that their logistics team uses to

mine and evaluate critical information from a broad spectrum of sources. The reports that are generated can pinpoint simple solutions that can precipitate cost savings and/or service improvements – and can have significant impact on profitability and customer satisfaction. Drilling deeper, the reports can have an even more dramatic impact throughout the entire organization, from operations to finance. The critical factors are the quality of the information, the ability to recommend and implement the changes necessary ... and ultimately to measure the improvements.

Unisource Canada, Inc. provides just-in-time delivery of printing & imaging, packaging and maintenance supply products from coast to coast. Both their supplier and customer list reads like a Who's Who of the prominent names in North American business. With over \$1 billion dollars in sales, 1.7 million square feet of warehouse space and approximately \$90 million in high-turn inventory — information is a critical factor in seeking continuous improvements. Carriers, suppliers and other business partners can offer various pieces of the puzzle and Unisource's own Legacy system as well as other in-house sources can generate information by the truckload. To improve



supply chain management from a corporate perspective required a resource to analyze the mountain of information. David Faoro, director of transportation elected to work with iWheels Logistics.

“There were a number of reasons why we selected iWheels,” says David Faoro. “The first was that their people impressed us with their understanding of the value of the information and how it can help us manage the process. In addition, it was obvious they had made a significant investment in technology and even more important, they have increased that stake to improve their capabilities.” Mr. Faoro emphasized there is no shortage of information within various sectors of the supply chain. He pointed out that a number of their carriers have very sophisticated information systems, however, they are focused solely



on information related to their own operations. The information Unisource is looking for has a greater impact than to simply manage transportation costs — the focus is to improve the entire supply chain. As an example, Unisource receives products from a wide variety of suppliers from around the world and then distributes those products through 21 distribution centres across Canada. iWheels acts as a virtual hub for that information — gathering data from countless sources, cleansing and processing the information and produces detailed reports.

“iWheels has shown tremendous flexibility in preparing the reports for us,” says Mr. Faoro. “The information is extremely detailed in its analysis and focuses exclusively on improving our supply chain management. It has been a significant benefit to have a partner that is both capable and willing to adapt their expertise and technology to give us a very tailored, customized insight to help us set benchmarks for our process and measure the result.”

Roxul Inc. competes in a decidedly different market. They manufacture a product the company calls “The Better Insulation.” Transportation plays a big role in maintaining customer satisfaction. Mr. Woof explains, “If a site supervisor has rented equipment or hired trade labor for a project, he doesn’t want excuses ... he wants our product.” Roxul places high expectations on carriers to provide high quality service and equipment at competitive rates. iWheels International provides transportation services to Roxul.

“They understand our demands and make sure we get the right equipment, deliveries are met and they also know the importance of rates,” says Mr. Woof. “However, there is also a couple of other advantages too. First, we gain access to a number of carriers through one source and on the flip side we get the corresponding invoice from a single source, which helps us reduce administration cost. The other advantage is that iWheels provides us with strong statistical performance detail. That means in spite of the amount of noise one service failure may create, on balance, we know when we are meeting our customer commitments day-in and day-out, and the statistics back that up – objectively.”

iWheels has also forged some very strong relationships on the supplier side of the logistics equation. Bison Transport shares the distinction with The Wheels Group in being recognized as one of Canada’s 50 Best Managed Companies. Dave Fulawka, Customer Service Manager at Bison, feels that iWheels provides an important perspective to supply chain management.

“iWheels has a unique understanding of both the supply and demand side of logistics,” says Mr. Fulawka. “By analyzing customer needs they can link precisely the right kind of transportation services to meet those demands. When iWheels introduces us to a new customer we’re confident that we have been recommended because we measure up to the job. Everyone wins.”

Mr. Fulawka feels that we’re only seeing the tip of the information iceberg. “The challenge we’re facing is to continually compress the amount of time it takes transfer information accurately ... from placing an order, processing the information to pick-up and through to delivery ... we’re working on lead-time reductions of 75 percent.

Processes that used to take a day to pass through an office now take minutes. iWheels has invested in cutting-edge information technology. Working with them opens the opportunity to add new value into the supply chain with current and prospective customers.”

Bison appreciates that iWheels has opened the access to some new business that they may not have discovered otherwise. The results: a customer whose demands are satisfied, a carrier with new business and iWheels quarterbacking a strong relationship based on measuring and managing supply chain information.

John McBoyle, General Manager, Domestic Intermodal, for Canadian Pacific Railway agrees that sharing information opens new opportunities in logistics, but it demands trust. He cites the fact that CP Rail is a customer, supplier and competitor of The Wheels Group.

“They have been very aggressive about building a competent team,” says Mr. McBoyle. “Not only have they invested heavily in information technology, but they have also attracted excellent people. The team has designed and built a logistics model that works ... the whole model. They can do both the front end consulting, and they have the expertise to carry it through to implementation and measure the results.”

iWheels takes a broader look at the value of information, both by design and out of necessity. As a non-asset-based company, iWheels depends on transportation suppliers to meet the demands of customers. However, it also means the company is not preoccupied with keeping its own equipment rolling. The result is that it is asset-free to focus on the right logistics solution — customer by customer.

Mr. McBoyle takes a pragmatic view of the role of iWheels: “They offer multi-modal solutions to customers ... it makes us a natural partner. We own the rail franchise across the country, which is an obvious and integral link in many Canadian logistics solutions. We’re more than happy to play a role in a relationship that works for all of the partners.”

The key to all of the iWheels relationships boils down to four essential factors. First, decisions need to be predicated on clean, accurate information. Second, brainstorming with information from a variety of perspectives can create solutions that add significant value to the logistics process. Third, sharing the information can benefit all partners if the relationship is built on trust. Finally, the performance results need to be benchmarked, measured and communicated.

Victor Deyglio, President of the Canadian Professional Logistics Institute, shared with me an interesting insight into his vision of the future for professional logisticians: “It has been said repeatedly that information is power. I believe the evolution of our profession depends on putting that high quality information into the hands of the professional ... empowering logisticians to make decisions that can make a measured difference for companies.” Mr. Deyglio went on to say “iWheels is on the cutting edge of developing the technologies that facilitate that empowerment.”

*Jim Davidson is Vice President, iWheels Logistics*



Carol West

## What is Customs Self Assessment?

The government's new Customs Self Assessment program (CSA) has been hovering on the horizon for some time. Now it looks like the program might actually be available this October, so importers need to ask some questions. What, exactly, is CSA? What are the benefits? Is it for me? And where does my customs broker fit in?

### What is CSA?

According to a CCRA handout, CSA is a streamlined accounting and payment process for imported goods that “ends the need for importers to maintain separate and costly customs processes, allowing them to use their own business systems to fully self assess and meet their customs obligations.”

**Sounds good, doesn't it? Imagine, no more costly customs processes!**

But wait a minute. CSA does not, of course, really eliminate customs accounting and payment processes at all. It just takes those processes and moves them somewhere else. Instead of maintaining a separate system to account for and report customs transactions to CCRA, CSA lets importers integrate customs accounting into their overall business accounting systems.

**That might be a good thing to do, but it does not really eliminate anything. And in practice, getting set up for CSA might prove to be a very expensive proposition.**

To qualify for CSA, importers have to develop and maintain highly integrated commercial business and accounting systems. They must be capable of generating complete, “cradle-to-grave” documentation of every trade transaction from the time an order is placed to the ultimate disposition of the order. They must be E-commerce ready, able to generate and exchange customs data with CCRA's systems. And they must be open to comprehensive, business-wide customs audits — audits

that are far more comprehensive and demanding than anything we know today.

The fact is, few — if any — importers have those kinds of systems in place. One large importer I talked to, who is already on the leading edge when it comes to integrated business systems, says it will cost more than \$1 million to develop the kind of customs integration CSA requires.

### What are the benefits of CSA?

CSA requires a sizable investment just to qualify. Will the return on that investment make it worthwhile? Possibly.

If an importer is simply looking for a way to reduce the costs of managing customs transactions, the answer is probably

“CSA may also be an attractive option if an importer is looking primarily for a faster, more reliable way to get goods cleared through customs. But here again, the issue is not straightforward.”

no. A business case for CSA, and the investment required, will not likely succeed based solely on potential cost-savings.

However, a business case for CSA based on an importer's broader, long-term corporate strategy might be a different story. For example, if the importer is already planning on developing advanced, automated business

integration systems, or is pursuing the kind of E-commerce strategies and supply chain integration those systems make possible, CSA could well become an important option to consider.

CSA may also be an attractive option if an importer is looking primarily for a faster, more reliable way to get goods cleared through customs. But here again, the issue is not straightforward. CSA does, indeed, give importers the benefits of a streamlined clearance option — for some designated goods, and only if the goods are delivered by a CSA approved carrier and registered driver. Just being a CSA approved importer is not enough.

### Is CSA for me?

Despite the hype you may have heard about CSA, there just is no easy answer to this question. Each importer has to evaluate the CSA option — the costs involved, and the potential benefits — by looking at how it might fit in with their specific business goals, technological capabilities, and long-term corporate strategy.

I believe that, in some cases, CSA provides importers with a valuable business option. But if you look at CSA in isolation — simply as an alternative way to handle customs transactions — you simply won't have enough information to decide if CSA is right for you.

### Where does my customs broker fit in with CSA?

The best way to answer this question is to talk to your customs broker — first, to decide if the CSA option is worth pursuing, and second, to learn how that option may be implemented in the most efficient way possible.

Keep in mind that “self assessment” does not mean “no assessment.” Everything that

*(Continued on page 29)*



Bruce Johnson

# Customs Analysis

## A M P S

The Canada Customs and Revenue Agency's (CCRA) Administrative Monetary Penalty System (AMPS) is now scheduled for implementation October 29, this year. While it is true that implementation has been delayed from April, the coming of AMPS has been touted for quite some time as a very significant shift in the government's enforcement regime. In essence, AMPS is a shopping list of Customs-related obligations, complete with associated penalties for non-compliance and escalating penalty amounts, which apply to repetitive infractions.

I am surprised that a very large number of importers are either unaware of AMPS or oblivious to its ramifications. This apparent lack of concern could be based on the old saying, "You don't know what you don't know." If you don't think you are doing something wrong, then you're not worried about it, or, won't care what the penalty is for doing something wrong. Conversely, the apparent apathy may be a reflection on the CCRA's failure to meet several other of its implementation dates; importers may simply be taking an "I'll believe it when I see it" attitude.

Personally, I feel like the little kid watching the old horror flick on the big screen. I see the naive victim meandering about in his or her routine, as the vampire emerges from the dark to inflict its bite. No matter how loud I yell, a victim is going to take it in the neck!

To quote an article on AMPS from CCRA's own Web site: "The important difference in our modernized sanctions regime is that it will affect the bottom line of non-compliers." There is no justifiable reason for an importer to become a victim, yet believe me, many of you will.

My chief concern is that CCRA is looking to AMPS as the panacea for non-compliance. However, if non-compliance is a disease, it is one which CCRA inadvertently helped to spread. For many years

the government has operated under a premise of Administrative Tolerance, allowing, if not accepting, less than adequate declarations and documentation in the name of cost-effective risk management. As a result, during the same period many companies, importers, exporters and service providers have developed bad habits, in effect, lowering the standard of their customs performance to the government's perceived level of acceptance, as inferred from their enforcement activities.

I am sure that many of you know, or can relate to an instance where a NAFTA certificate with missing data elements (or some other inappropriate response) was submitted to support a refund claim to recover a couple of hundred dollars. In your mind you knew it was wrong and probably suspected it would be rejected. But no... the claim was considered low risk, probably not even looked at, and paid. Although the government's response included a disclaimer statement to the effect of "decision does not have application for future," the claim was paid. Money talks, and the governments "risk management" tool thereby created and reinforced a negative behavior.

The CCRA's new mentality basically says companies which choose to enter and compete in the global marketplace should be prepared to put in place an infrastructure necessary to support their international trade activities. After all, you have to comply with many laws that govern the domestic workplace: employment equity, taxation, safety, etc., so why should your corporate attention to Customs-related international trade obligations be any different?

In this vein, CCRA has implemented other regulatory changes which have redefined the importing process. "Reason to Believe" has squarely focused the responsibility of total compliance on the importer. A 90-day window for voluntary adjustment and a four-year period of obligation, imposed when an importer has

reason to believe that an error in tariff, value, or origin has occurred, could themselves be the basis for severe financial hardship.

What is lost in this mind set is the fact that there are many relatively inconsequential types of errors which occur, where the only deterrent to an importer's compliance is the non-cost effective method of reporting the variance. Under reason to believe, once you have established an error exists, you are obligated to go back against each previous entry (four years) and file voluntary amendments. While I'm sure you will agree it is imperative to maintain accurate statistics, I'll also bet you will resent the time and cost of compliance.

This is further complicated by the fact CCRA is administering AMPS based upon their presumption of an importer's guilt; pay your penalties, then appeal. I believe many importers will be hard pressed to justify costly appeals against inconsequential trade data assessments, not realizing the potential impact on their compliance performance profile. A profile is maintained by CCRA to assess an importer's ability to participate in preferential programs or the level of scrutiny you will attract.

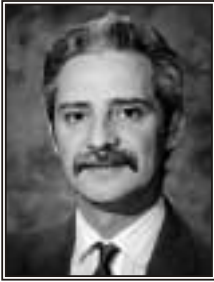
For the purpose of demonstration, I will use examples of infraction, penalty, escalation from the most current version of the draft AMPS document. For example:

- In Customs' opinion, reason to believe exists, yet you did not voluntarily correct the tariff, value or origin and they catch you: first occurrence — 5 percent of the value for duty (VFD) or \$100.00, whichever is greater; second occurrence - 10 percent of VFD or \$200.00, whichever is greater; third and every subsequent occurrence - 20 percent of VFD or \$400.00, whichever is greater.

*(Continued on page 29)*

# WHO READS LOGISTICS QUARTERLY?

## NEW PROFESSIONAL Logisticians



Kevin Andrea, P.Log.,  
Shearwater Supply Group  
Officer, DND,  
Halifax, NS



Mr. Timothy Ayling, P.Log.,  
CITT, Manager - Liquid Bulk  
Products, BC Rail,  
North Vancouver, BC



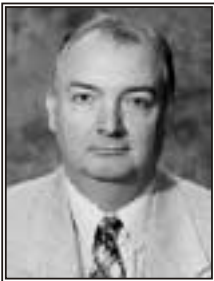
Mr. George Begley, P.Log.,  
Warehouse Manager,  
Canwel Distribution,  
Brampton, ON



Mr. Paul Cherry, P.Log.,  
Account Executive - Customs  
& Transportation, Fritz Starber,  
Richmond, BC



Mr. John Christian, P.Log.,  
Warehouse Operations  
Manager, Colgate Palmolive  
Canada, Toronto, ON



Lt(N) Robert Davis, P.Log.,  
DND, Halifax, NS



Mr. Dave Dexter, P.Log.,  
Senior Operations Manager,  
Ryder Grocery Service,  
Whitby, ON



Ms. Velvet Dion, P.Log.,  
Officer - Network Logistics,  
Canada Post Corporation,  
Ottawa, ON



Mr. Charles Dussault, P.Log.,  
Supply Chain Manager,  
EMCO, Calgary, AB



Mr. Mark J.E. Edds, P.Log.,  
Group Logistics Manager,  
Ryder Integrated Logistics,  
London, ON



Mr. Paul Ferguson, P.Log.,  
Manager - Transportation,  
Saskferco Products Inc.,  
Regina, SK



Ms. Linda Hahl, P.Log.,  
Waterloo, ON



Mr. Michael Heath, P.Log.,  
Director, Fritz Starber,  
Vancouver, BC



Mr. Andy Jenkins, P.Log.,  
Export Services,  
Omnitrans (Pacific) Inc.,  
Richmond, BC



Ms. Sherri Khazaeli, P.Log.,  
Operations Planner,  
Canadian Tire Corp.,  
North York, ON



Mr. Joseph Kolenc, P.Log.,  
Brampton, ON



Mr. Terry Labrash, P.Log.  
CITT, Manager - Transportation,  
Quaker Oats,  
Peterborough, ON



Ms. Mouvain Lee, P.Eng, P.Log,  
Manager - Logistics Engineering,  
Ryder Grocery Services,  
Whitby, ON



Mr. Larry Levinsky, P.Log.,  
Distribution Manager,  
Canadian Tire Corp.,  
Brampton, ON



Ms. Georgina Loree, P.Log.,  
Manager - Demand Planning -  
Prairies, Molson Breweries,  
Edmonton, AB

# WHO READS LOGISTICS QUARTERLY?

## NEW PROFESSIONAL Logisticians



Mr. Chris Luery, PLog.,  
Manager, Business  
Development, Transfreight Inc.,  
Cambridge, ON



Cdr William Macdonald, PLog.,  
Business Manager, Fleet  
Maintenance Facility, DND,  
Victoria, BC



Ms. Elizabeth McKenzie, PLog.,  
Supply Chain Manager -  
Transportation, Campbell  
Soup Co. Ltd.,  
Toronto, ON



Mr. Darrell McLauchlin,  
PLog., Distribution Manager -  
BC, Overwaitea Food,  
Langley, BC



Mr. John McMurray, PLog.,  
Distribution Manager,  
Colgate-Palmolive Canada Inc.,  
Toronto, ON



Mr. Russell Nikiforuk, PLog.,  
Logistics Planner - Vancouver,  
Molson Breweries,  
Vancouver, BC



Mr. Chris Painter, PLog.,  
General Manager,  
Transfreight Inc.,  
Ingersoll, ON



Mr. Frank Papaiani, PLog.,  
Procurement Manager -  
Western Canada,  
Canada Post Corporation,  
Vancouver, BC



Mr. Art Piatek, PLog.,  
Supply Chain Analyst,  
Molson Breweries,  
Toronto, ON



Capt Kathleen Rakai, PLog.,  
Quartermaster/Logistics  
Officer, DND,  
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Mr. Hans Sachs, PLog.,  
Customer Service Manager,  
Cargo, Air Canada Cargo,  
Cargo Building 'A',  
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Capt Audrey Shortridge, PLog.,  
Maritime Air Component (A)  
Logistics, DND,  
Halifax, NS



Mr. Dan Sukara, PLog.,  
Purchasing Manager,  
YMCA of Greater Toronto,  
Toronto, ON



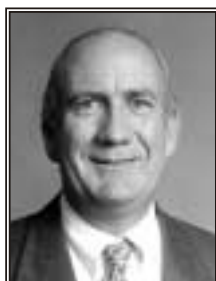
Mr. Ken Thomas, PLog.,  
Customs & Transportation  
Coordinator, Bayer Inc.,  
Toronto, ON



Mr. Anthony Tucceri, PLog.,  
Director,  
Global D.A.T. Logistics,  
Ottawa, ON



Mr. Sean Watson, PLog.,  
Account Manager - Food,  
Canadian Pacific Railway,  
Calgary, AB



Mr. Jack Wells, PLog.,  
Account Manager,  
BC Rail,  
North Vancouver, BC



Mr. Darrell Wilcox, PLog.,  
Quality Manager,  
Cage Logistics Inc.,  
Lethbridge, AB



Mr. John Wilson, PLog.,  
Distribution Manager,  
Canadian Tire Corp.,  
Brampton, ON



Mr. Carl F Zimmermann,  
PLog., Global Distribution -  
Procurement Professional, IBM,  
Newmarket, ON

## Logistician's pictures unavailable at press time

Mr. Peter Barrick, PLog., Manager - ARG Distribution Centre, PPG Canada Inc., Oshawa, ON

Capt William Bruce, PLog., DND, Astra, ON

Mr. Rick Duthie, PLog., Manager - Production Planning and Inventory Control, Mother Parkers Coffee and Tea, Mississauga, ON

LCol David Evans, PLog., DND, Ottawa, ON

Maj Robert Featherston, PLog., DND, Ottawa, ON

Mr. Charles Gambin, PLog., President, Compufreight Services Ltd., North York, ON

Mr. Brian Hanly, PLog., Director of Operations, ATCO Frontec North Warning System Project, Ottawa, ON

Mr. Paul Owens, PLog., Traffic Analyst, Compaq Canada, Richmond Hill, ON

Maj Denis Noel, PLog., DLSP 2-2 Land Staff, DND, Ottawa, ON

Capt Russell Perron, PLog., Change Support Team Air 3, Department of National Defence, Ottawa, ON

Mr. Al Pijnenburg, PLog., Cambridge, ON

Capt Suzanne Raby, PLog., DND, Wasaga Beach, ON

Mr. Mark Robinson, PLog., Logistics Planner, Molson Canada, Regina, SK

Ms. Tracey Speares, PLog., Manager - Customs Compliance, Compaq Canada, Richmond Hill, ON

Mr. John Stuart, PLog., Business Development Consultant, ATCO Frontec, Ottawa, ON

(CSA?, continued from page 25)

has to be done now to comply with customs requirements still has to be done under CSA.

If you decide that CSA is for you, then your broker can provide the best possible advice on getting the new accounting procedures up and running, whether that means developing new systems in-house, or outsourcing the IT capability required. For example, your broker may be able to provide the systems interface you will need to connect to CCRA, reducing the investment required to get started.

Once you have those systems in place, you will likely need to rethink the specific services your broker plays in the customs process. Instead of focusing solely on clearing goods through customs, you will need your broker to help manage the increasingly complex relationships between CCRA, your suppliers, and the carriers you use.

Fundamentally, your broker's role stays the same whether or not you choose the CSA option. The broker's job is to ensure the integrity and accuracy of the trade informa-

tion as it flows in and out of your business — and to ensure that it flows efficiently, complying with all trade regulations and CCRA standards from start to finish.

CSA is coming, and it does bring a new set of options for importers. It's a good idea to talk to your broker now, to see if those options are for you.

*Carol West is President, Canadian Society of Customs Brokers. [www.cscb.ca](http://www.cscb.ca).*

(AMPS, continued from page 26)

- Importer or owner of goods fails to have a valid NAFTA certificate of origin in their possession when claiming preferential tariff treatment as prescribed: first occurrence \$1,000.00; second occurrence \$5,000.00; third occurrence \$10,000.00; fourth and subsequent occurrences \$25,000.00.

These are just two common examples. Ask yourself how many repetitive importations you have and consider that most importers/brokers use product tariff databases for consistency. Therefore, if an error appears on one document, what are the odds repetition will cause the penalty to escalate beyond being an inconvenience to be detrimental?

Review and/or create processes. Ask questions of your service provider(s). The government considers you responsible, it's in your best interest to act that way — be proactive.

*Bruce Johnson is Director, Eastern Region, of Cole Trade Consulting for the Cole Group of companies and is located in Toronto.*

(Supply Chain Toolbox, continued from page 9)

to move forward and continue to streamline our business processes.

The current economic climate is bringing us into a time of restraint and continual reevaluation of our processes to realize every efficiency available. The toolbox and experience we have acquired over the years will become more important than ever as we explore both the old and new methodologies that are available to us as logistics professionals and supply chain managers. We at DCX Brampton Assembly intend to be at the forefront of developing the most innovative and efficient supply chain within the industry. Stay tuned.

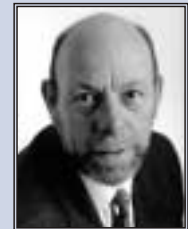
*Rob Hamilton is PT&C Manager, DaimlerChrysler, Brampton Assembly Plant.*

## APOLOGY/CORRECTION

In our last issue, the photos for Daniel Hiscott & Patrick McFarlane were switched. The correct photos are below.



Mr. Daniel Hiscott, PLog., Assistant, Air and Ocean Product Management, GeoLogistics Co., Etobicoke, ON



Mr. Patrick McFarlane, PLog., Inventory & Distribution Manager, Peacock Inc., Mississauga, ON

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Nicholas Seiersen

## AN INTERVIEW WITH GROCERY GATEWAY

In the previous issue of *Logistics Quarterly* (Spring 2001, page 16), we published an article about the business-to-business craze, featuring Grocery Gateway, based in Toronto. Today E-business bubble seems to have burst and many businesses have failed. In this article, as a follow-up interview, Nicholas Seiersen interviews Claude Germain, the Chief Operating Officer of Grocery Gateway, and looks at ways Grocery Gateway has mitigated the pitfalls converging on many businesses.

**NICHOLAS SEIERSEN:** With the benefit of hindsight, what are the limits of your business model?

**CLAUDE GERMAIN:** Our business model is very focused on a drive-to-cost position in a specific niche. There are two core capabilities within our business model. Broken case picking and direct delivery. Our aim is to have the low-cost position. On broken-case picking, we have optimized our facility only for broken-case and for pick-per-sku profile of close to a ratio of 1:1. This is the profile of E-commerce orders. We are not well suited to handle case picking, or store fulfillment of broken case where the pick-per-sku is higher than a ratio of 1:1. Our niche is fulfillment. That being said, we absolutely have cost position better than any other broken-case facility I have seen, while being mindful of our focus and resulting specialized set up. That also means that we tend to carry consumer skus and not commercial or institutional skus. As an example, that means that all of our skus fit into shipping totes and that we rarely sell master cartons. Now, on direct delivery, we have optimized around small-order drop off. Our average totes-per-order are four to five. Larger drop offs that could benefit from being palletized do not fit our model. Indeed, our trucks are customer designed and resemble UPS trucks — but with three temperature zones.

**NICHOLAS SEIERSEN:** Have you found that certain consumers find your business model particularly relevant?

**CLAUDE GERMAIN:** We tend to define our segment more in psychographic terms rather than demographic. We serve customers who are predisposed to convenience. They are mostly two-income earners with kids, but can also be downtown dwellers who don't have a car, as an example. We cater in other words to the two-thirds of shoppers who dislike grocery shopping as a chore (and offer up seven-days-per-week, 24-hour access, 90-minute-delivery windows, etc). Nevertheless, these customers are still value conscious, so we still price at retail and offer up a full complement of products — essentially what you would find in a large grocery store, including all

perishables, beer and wine, health and beauty aid, bestselling books and videos, Starbucks coffee etc.

**NICHOLAS SEIERSEN:** The business is growing fast enough for you to have opened a new facility last month in Northern Toronto. Building on the learnings from your previous start-up and the operations to date, what approach have you taken for this start up?

**CLAUDE GERMAIN:** We try not to be on the bleeding edge and have therefore incorporated into our facility design many facets from other industries. We are very much a blend from high-speed manufacturing, mail order and courier hub. Whereas the lexicon is similar to a grocery Distribution Centre (DC), that is where the similarities with the grocery industry end. As for our technology, I hate to admit it, but we had to over invest in in-house systems integration talent. Nothing we received from vendors was remotely plug and play, and required a tremendous focus and learning curve to integrate, scale and stabilize. Our technological components include Web-order processing (in-house), automated routing (from Descartes), each picking focused Warehouse Management System (WMS), Warehouse Control Systems (W&H Conveyors) and Picking Sub Systems (RTS).

**NICHOLAS SEIERSEN:** Any lessons from the trenches on how to pull off a fast successful start up?

**CLAUDE GERMAIN:** Our newest plant is 280,000 square feet at a cost of \$15 million. From design to start up will have taken nine months. We hired experts in high-speed manufacturing and in mail order, and combined them with our inhouse industrial engineers and system integration team. We then recruited top-notch project management skills. At first our approach was like a consulting company. We clearly determined what we wanted to execute against, from a throughput, cost position and capability perspective. We then studied business models out there and took pieces that seem to fit. We then segmented our design into nine — a three-by-three matrix that has A,B,C movers on one axis and three temperature zones on the other. We then tried to fit the best design and technology into each and played with integration issues to arrive at a balanced blend that would meet our objectives. We then started going to tender and executed against basic startup methodologies.

*Nicholas Seiersen, KPMG Consulting LP, Toronto.*

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George Kuhn

## CMI ... From the Hague Rules to U.S. Rules?

In February 2001, the Comit Maritime International (CMI) held an international conference in Singapore. Its purpose was to regulate multimodal transport and to replace the current Hague-Visby Rules (in place since the early 1920s and amended in 1968), which form the basis of all shipping nations' maritime laws, including U.S. Carriage of Goods by Sea Act (Cogsa) and Canadian Cogwa.

Alarmed by the United States' Maritime Law Association's unilateral initiative in 1998 to transform U.S. Cogsa (1936) into a multimodal carriage law through a proposed senate Cogsa bill under the sponsorship of Senator Kay Bailey Hutchison (Republican, Texas), the CMI hastily formed an international "Issues of Transport Law" subcommittee in 1999 in an attempt to prevent disunification of maritime law and to modernize the 75-year old Hague Rules. The last attempt at a multimodal convention was the one sponsored by the United Nations in 1980 and it failed to garner support from major shipping nations, most notably the United States.

This time, however, the United States would play a key role at the CMI. The co-drafter of the proposed "Outline Instrument" was the chief drafter of the Senate Cogsa bill. Therefore, not surprisingly, many of the provisions found in the senate bill are also in the "Outline Instrument," some of which are:

- Door-to-door scope of application.
- Uniform Hague-Visby liability limitations (two SDR per kilo or 666.67 SDR per package, whichever is greater).
- Elimination of the "Himalaya" defence through the introduction of a "Performing Carrier" definition that conjoins all agents and subcontractors of the contracting

carrier as parties to the contract of carriage for liability purposes.

- Elimination of the carrier's "Error in navigation or management of the vessel" defence.

As with the failed UN Multimodal Convention, shipowner interests once again proved to be strong at the CMI's Singapore conference as modifications were adopted to immunize ocean carriers

**The proposed convention is also prejudicial to 40,000 freight forwarders and Non-Vessel Owner Container Carrier Companies (NVOCCs) around the world by its "performing carrier" provisions...**

from multimodal liability. The Outline Instrument would allow ocean carriers to contract out of inland liability altogether under a "through transport" provision that limits the scope of their contractual responsibility to sea carriage only, even if they were to handle the inland transport. Additionally, nations would be free to opt out of uniform door-to-door liability and adopt a "network" liability regime, which means they may apply their existing inland liability regimes — if any — to the

inland segments of a multimodal contract of carriage. This, of course, would result in a conflict of laws and forum shopping in the United States since the Outline Instrument would permit the United States to enact its door-to-door uniform "per kilo/per package" limitation, while Europe and Canada would have only a "per kilo" limitation for inland loss and damages.

The Canadian International Freight Forwarder's Association (CIFFA), is opposed to the Outline Instrument (and to U.S. Cogsa) on the grounds that a proposed multimodal convention that would exempt ocean carriers from inland liability is a sham. The proposed convention is also prejudicial to 40,000 freight forwarders and Non-Vessel Owner Container Carrier Companies (NVOCCs) around the world by its "performing carrier" provisions creating contractual liability on agents who otherwise have no such liability. CIFFA, nevertheless, supports the notion of a uniform multimodal transport convention but believes that such convention must be fair and equitable to all affected groups. Above all, CIFFA believes that any such convention must involve the direct participation of multimodal transport operators, i.e.: the freight forwarding industry and ocean transportation intermediaries, as otherwise it has no legitimacy.

This turn of events is no tempest in a teapot. It is an instrument that will affect every carrier, freight forwarder, NVOCC and logistics professional in the world!

*George Kuhn is Executive Director, The Canadian International Freight Forwarders Association (CIFFA) kuhnjhj@istar.ca*

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(Viewpoint, continued from page 7)

a "dot com" organization and community response to renewed Logistics Professionalism.

**Logistics Gateway Access Reports** are produced by Webtrends, a third party service provider. Since "going live" on September 15, 2000, activity in The Logistics Gateway has grown steadily.

**Program Growth:** A positive response to technology, however, does not indicate acceptance of renewed Logistics Professionalism. In re-inventing the future, the Logistics Institute also re-invented PLog. professional certification. Several sets of statistics provide insights into community reaction to these changes.

On January 1, 2001, the Institute launched its new Certification Program in Transition. By mid-April, there were 495 registrations. Of these, 27 percent were new candidates starting Certification for the first time. Web modules (Integrated Logistics Networks, Logistics Process Diagnostics, Team Dynamics) attracted nearly the same number of registrants as session modules: Web at 212 (42.8 percent); Session at 283 (57.2 percent).

It is daunting to realize that in the first four months of delivering new modules, the Institute has matched 70 percent of the previous training year's 12-month registrations (709). Technology-

mediated training (web modules) is clearly gaining acceptance.

We can surmise that the new Certification Program and the new modules are being accepted in the marketplace.

**Membership Growth:** Professional membership growth re-enforces registration patterns, and also advances the Institute's strategic plan by several years. The rapid growth was not surprising: people value the PLog.

At the 9th AGM, the Board set a goal of 1,500 certified PLog. professionals by 2006. By the 10th AGM on April 27, 2001, there were 1000 people who earned the PLog. On June 14, the Logistics Institute will celebrate the "first one thousand" with a reception.

From September 2000 to April 2001, the Institute had 25 percent total growth in professional members. The journey has begun. We thank members for their vision, commitment and support as well as the Board, the Millennium Steering Committee, Human Resources Development Canada and our staff for making it happen.

*Victor Deyglio is President of the Canadian Professional Logistics Institute, based in Toronto, Ontario. vdeyglio@loginstitute.ca*

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Fred Moody

# Editor's Viewpoint

## Transforming Business

Every company and organization needs to refresh its culture now and then, and LQ is no exception.

In tandem with changes in the field, we are looking at new ways to evolve and improve LQ this fall. However, we're getting started in this issue.

One of the most unheralded strengths underlying LQ's success is the logisticians who have provided their ideas and insights. Largely in appreciation and recognition of this business practice, we have formalized the input and direction given by these colleagues and friends with the establishment of a new Editorial and Publishing Advisory Board (page 6).

Given its various tasks, this board has a singular goal: To help LQ become the top source of the best ideas for logisticians who are leading and transforming and developing business. Since LQ's founding in 1995, it has upheld a tradition of being the only publication with the consistent mission to be a logistics publication written by professionals for professionals in the field of logistics - affording authoritative thinking on the complex and fast-changing work of the logistics business.

Today, we're proceeding with that tradition but

with even more vigor and conviction, looking at all the facets of our magazine's operations and strategies to offer you, our readers, even more; and, our valued advertisers will benefit, too.

This issue we have also introduced a new Creative Director, Greg Shanks, who has already begun to enhance the design and presentation of LQ, making information easier to find and more inviting. There's also a new index on page 33 that provides our readers with a the names of companies who are noted within this issue, with references on where to find them.

In keeping with the theme of transforming and improving, I will add that it was an honor to attend the Logistics Institute's Millennium Celebration, set to commemorate its first 1000 PLog's, at the Estates of Sunnybrook, Toronto, this June. Victor Deyglio notes in his column this issue, (page 7), that "between 1998 and 2001, the Logistics Institute reinvented logistics professionalism in Canada and worldwide." Truly the Institute is unmatched in its many accomplishments.

I would be remiss if I did not mention another

leading organization driving change. A recent tour of UPS' facilities in Louisville and Atlanta, which was one of the finest tours I've experienced, showed UPS' transformation from a package-delivery company to an enabler of global commerce. In his Louisville presentation, aptly entitled "Welcome to UPS: The New UPS," Amgad Shehata, UPS Canada Director of Marketing, summarized how UPS aims to achieve this, noting the company has become involved "...in three, once distinct, flows of commerce that are involved in just about every transaction on the planet: goods, information, funds." Clearly UPS is achieving its goals with aplomb — and we're working to provide more information about UPS' initiatives.

In future issues you'll see LQ creating exciting new ways to help organizations transform themselves by sharing information about best practices. I hope you enjoy your summer and I look forward to your comments as we grow.

*Fred Moody is publisher and editor of LQ™.  
fmoody@LQ.ca*

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